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SOUTH CAROLINA OFFICE OF REGULATORY STAFF

EXAMINATION REPORT FOR DOCKET NO. 2019-13-A

THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF ENERGYSOLUTIONS COMPANY, FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS (FISCAL YEAR 2019-2020)

On September 26, 2019, Chem-Nuclear Systems, LLC (“Chem-Nuclear”) filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2019 and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2020, pursuant to S.C. Code Ann. § 48-46-40 (B)(4), et seq. (2008 and Supp. 2018).

Effective July 1, 2008, pursuant to S.C. Code Ann. § 48-46-40 (A)(6)(a), (Supp. 2019), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states, South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure (“institutional”) activities parallel to its site disposal operating (“operational”) activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund and the Extended Care Maintenance Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear’s application for reimbursement filed with the Public Service Commission of South Carolina (“Commission”).

The South Carolina Office of Regulatory Staff (“ORS”) completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on this examination, ORS recommended adjustments to Chem-Nuclear’s fixed costs for the fiscal year ending June 30, 2019. These adjustments were discussed with members of Chem-Nuclear’s management who agreed with the adjustments.

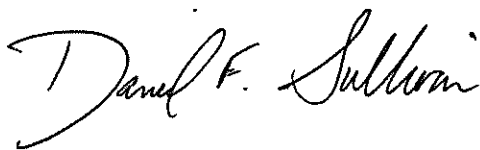
A comparison of the allowable reimbursable costs to the amounts authorized by the Commission in its Order No. 2019-422, dated June 7, 2019, was prepared by the ORS Audit Department. This comparison is attached herewith as Exhibit 1. As shown in Exhibit 1, ORS recommends that

Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ending June 30, 2019, the following:

- \$ 3,090,852 in Fixed Costs
- \$ 685,853 in Variable Costs
- \$ 156,008 in Irregular Costs

In conjunction with procedures performed for the fiscal year ending June 30, 2019, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2019, extending through December 31, 2019. Based on this examination, ORS recommended adjustments to Chem-Nuclear's projected fixed and irregular costs for the fiscal year ending June 30, 2020, as listed in Exhibit 2. These adjustments were discussed with and agreed to by members of Chem-Nuclear's management.

Based on ORS's examination of Chem-Nuclear's projected variable rates, ORS agrees Chem-Nuclear's projected rates are reasonable.



Daniel F. Sullivan

Deputy Director – Audit Department

March 16, 2020

Chem-Nuclear Systems, LLC
Docket No. 2019-13-A
Operating Experience and Reimbursable Costs
For the Twelve Months Ending June 30, 2019

	Per Second Amended Application	Commission Order No. 2019-422	Actual Costs Over (Under) Commission Allowed
<u>Fixed Costs</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 1,912,214	\$ 2,033,811	\$ (121,597)
Depreciation	134,780	132,164	2,616
Insurance	311,154	309,185	1,969
Equipment Leases and Support	108,639	114,406	(5,767)
Corporate Allocations (G&A)	619,696	795,000	(175,304)
Total Margin Costs	<u>3,086,483</u>	<u>3,384,566</u>	<u>(298,083)</u>
Fixed Costs to which 29% operating margin is not added:			
Legal Support (License Appeal)	4,369	-	4,369
Total Non-margin Costs	<u>4,369</u>	<u>-</u>	<u>4,369</u>
Total Fixed Costs	<u>\$ 3,090,852</u>	<u>\$ 3,384,566</u>	<u>\$ (293,714)</u>
<u>Variable Costs</u>			
Labor and Non-Labor Costs	268,358	292,639	(24,281)
Vault Costs	<u>\$ 417,495</u>	<u>\$ 414,835</u>	<u>\$ 2,660</u>
Total Variable Costs	<u>\$ 685,853</u>	<u>\$ 707,474</u>	<u>\$ (21,621)</u>

Chem-Nuclear Systems, LLC
Docket No. 2019-13-A
Operating Experience and Reimbursable Costs
For the Twelve Months Ending June 30, 2019

	Per Second Amended Application	Commission Order No. 2019-422	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>			
Trenches (Design, Construct and Backfill)			
Labor	\$ 33,159		
Non-Labor	48,401		
Total	<u>\$ 81,560</u>	<u>\$ 50,000</u>	<u>\$ 31,560</u>
License Renewal and Appeal Costs			
Labor	\$ 2,618		
Non-Labor	-		
Total	<u>\$ 2,618</u>	<u>\$ -</u>	<u>\$ 2,618</u>
Trench Records Software			
Labor	\$ 11,554		
Non-Labor	-		
Total	<u>\$ 11,554</u>	<u>\$ 15,000</u>	<u>\$ (3,446)</u>
Site Engineering and Drawing Updates			
Labor	\$ -		
Non-Labor	-		
Total	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ (5,000)</u>
Site Maintenance			
Labor	\$ 561		
Non-Labor	-		
Total	<u>\$ 561</u>	<u>\$ 600</u>	<u>\$ (39)</u>
Storm Damage Repairs and Clean-up			
Labor	\$ 1,232		
Non-Labor	-		
Total	<u>\$ 1,232</u>	<u>\$ -</u>	<u>\$ 1,232</u>
Operations Evaluation			
Labor	\$ -		
Non-Labor	58,496		
Total	<u>\$ 58,496</u>	<u>\$ 60,000</u>	<u>\$ (1,504)</u>
Large Component Disposal			
Labor	\$ (13)		
Non-Labor	-		
Total	<u>\$ (13)</u>	<u>\$ 1,874</u>	<u>\$ (1,887)</u>
Total Irregular Costs	<u>\$ 156,008</u>	<u>\$ 132,474</u>	<u>\$ 23,534</u>

Chem-Nuclear Systems, LLC
Docket No. 2019-13-A
Proposed Fixed, Irregular and Variable Costs
For the Twelve Months Ending June 30, 2020

	Per Second Amended Application	Actual Through 12/31/2019	Difference
<u>Fixed Costs</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 1,975,000	\$ 953,385	\$ 1,021,615
Depreciation	136,000	67,586	68,414
Insurance	319,853	49,804	270,049
Equipment Leases and Support	83,228	41,614	41,614
Corporate Allocations (G&A, IT)	631,015	315,508	315,507
Total Margin Costs	\$ 3,145,096	\$ 1,427,897	\$ 1,717,199
Fixed Costs to which 29% operating margin is not added:			
Legal Support (License Appeal)	\$ -	\$ -	\$ -
Total Non-margin Costs	\$ -	\$ -	\$ -
Total Fixed Costs	\$ 3,145,096	\$ 1,427,897	\$ 1,717,199
<u>Irregular Costs</u>			
Trench Characterization and Construction	\$ 600,000	\$ 295,588	\$ 304,412
License Renewal and Appeal Costs	21	21	-
Large Component Disposal	656,798	444	656,354
Storm Damage Repairs and Clean-up	(1,232)	(1,232)	-
Trench Records Software	444	63,788	(63,344)
Total Irregular Costs	\$ 1,256,031	\$ 358,609	\$ 897,422

Chem-Nuclear Systems, LLC
Docket No. 2019-13-A
Proposed Fixed, Irregular and Variable Costs
For the Twelve Months Ending June 30, 2020

	<u>Costs</u>	<u>Variable Factor</u>
<u>Variable Labor and Non-Labor Rates</u>		
Vault Purchase & Inspection	<u>\$ 187.07</u>	Per Vault
A B C Waste Disposal	<u>\$ 1,589.54</u>	Per Shipment
Slit Trench Shipment	<u>\$ 44,844.35</u>	Per Offload
Customer Assistance	<u>\$ 131.43</u>	Per Shipment
Trench Records	<u>\$ 315.67</u>	Per Container
<u>Variable Material Cost Rates (Vaults)</u>		
Class A Waste	<u>\$ 38.28</u>	Per Cubic Foot
Class B Waste	<u>\$ 57.52</u>	Per Cubic Foot
Class C Waste	<u>\$ 53.00</u>	Per Cubic Foot
Slit Trench Waste	<u>\$ 188.57</u>	Per Cubic Foot